505 ment with launch or dhow owners, but it should be remembered that some of them are private property. Umm as-Sabaan is the private 423 property of Mr. Max W. Thornberg, Jidda being a penal settlement, 486 is forbidden ground, and Umm an-Nasaan may only be visited with permission of H.H. The Ruler. The others, the small islands south of Muharraq, Nebih Salih, Jezira and the Howar islands are free to all visitors and a visit to them makes a change from drives around the islands.

489 Transport in Bahrain includes both bus and taxi, the former are not 493 the luxurious affairs seen in Europe and England but have wooden bodies built in Bahrain and attached to an imported chassis. Taxis, however, are not too expensive if care is taken to pay the correct fare which is recorded in a fare book that should be carried by every driver. It is rumoured that taxis will soon carry meters, which will certainly simplify matters, but till that happy day passengers who have complaints to make about being over-charged should make them to the Traffic Department of the State Police.

435 Petrol and oil are cheap in Bahrain, which is not surprising, and the import tax on cars and motor cycles is only 10%, so that to own and run 493 a private car is cheaper than in England or the States, as many fortunate 651 people have discovered. Most makes of cars are obtainable in Bahrain, garage facilities have increased and the improvement in the roads has enabled English cars to be used with comfort.

492 The old-fashioned form of transport in Bahrain was the donkey. 489 It was used for every task, for bringing the produce of the country for sale in the town, for pulling carts and for riding. The white Bahrain donkeys used to be well known all over the Middle East and they were exported from Bahrain to places as far distant as the East African coast. Today buses are replacing donkeys, there are bus services between most of the villages, though many of the young men prefer to use bicycles. Lorries too have successfully competed with donkeys and now carry most of the goods between the towns and villages, but in the gardens and in the narrow country lanes one still meets many donkeys though few of the fine white beasts for which the islands were famous long ago. However, the donkey will never entirely die out, for he has certain advantages over other methods of transport, he can reproduce young donkeys, he can find his own way along small and narrow tracks in the gardens and he produces manure, which is a valuable commodity in Bahrain.

CHAPTER V

BAHRAIN'S OIL INDUSTRY

315 THE man who was chiefly responsible for the discovery of Bahrain's ● 471 oil resources was an Australian, Major Frank Holmes, who came to Bahrain on behalf of the Eastern and General Syndicate, a British prospecting company. Major Holmes, after drilling a number of artesian wells and thus discovering something about the composition

315 of the ground below the surface of Bahrain, believed that oil was present
471 in the islands in commercial quantities and so obtained from the Ruler, on December 2nd, 1925, a prospecting concession which was to run for two years. During this period Holmes tried to interest British oil companies in the petroleum possibilities of Bahrain, but their experts declared that there was no oil in Bahrain and that it would be a poor gamble to start operations in that country. Finally Major Holmes went to the States and on November 30th, 1927, an American corporation, the Eastern Gulf Company, acquired a two years option. After negotiations which involved the Foreign Office and the State Department, for Bahrain was a protected State, and after discussions between various important oil interests, the Eastern Gulf Company assigned its option over the Bahrain concession to the Standard Oil Company of California. On August 1st, 1930 the concession was assigned by Standard Oil to its fully owned subsidiary, the Bahrain Petroleum Company Ltd. (BAPCO), which was registered in Canada in order to give it the status of a British company. Such are the politics of oil that it had taken five years for an oil company to be formed to develop Bahrain's oil, and had it not been for the enterprise of an American company, which took up the concession after it had been refused by the British, the oil of Bahrain might never have been exploited.

315 Directly the concession was signed, surveying and drilling operations were commenced and in 1932 the first well "came in." This
382 well can be seen immediately south of Awali and is still producing. By 1935 there were sixteen producing wells and six more drilling. It was then decided that the crude oil should be processed in Bahrain, and in the following year the first small distillation unit was erected and put into operation. A year later the capacity of the refinery was expanded to 25,000 barrels a day. The refinery was continually enlarged and improved so that finally it was able to process more crude than was forthcoming from the Bahrain field. A 12" pipeline was therefore laid from the Dammam field on the coast of Saudi Arabia to the refinery, a distance of 34 miles, of which 17 were under the sea, making it the longest private pipeline of its kind in the world. Having expanded the refinery it became necessary to improve the shipping facilities to speed the export of oil products so a three mile jetty was constructed from Sitra Island to the deep water, at the head of which a four berth pier was built to add to the existing two-berth island loading wharf. Rows of pipes carry crude oil and refined products to the waiting ships while huge freight trailers carry drums for bulk package loading. Each month 70-80 ocean vessels are alongside the wharves removing some 4½ million barrels of bulk exports and 60,000 drums of refined products and asphalt. The drums are made in the Sitra drum plant, manned entirely by Bahrainis.

At present the activities of the company are carried out in four parts of Bahrain, at Awali, at the Jebal, at the Refinery and on Sitra Island.

464 Europeans. For the latter the company provides many amenities.
382 In the town of Awali there is a cinema, a club and other recreational
511 facilities. There is a Commissary for the supply of foods and goods
466 unobtainable elsewhere in Bahrain; a school for American and European children with qualified teachers and hospitals for the various nationalities employed by BAPCO. A cinema, swimming bath and mosque are also being constructed in the Arab Camp, and a swimming bath and cinema in the Indian and Pakistani camp at Rifaa. The company also maintains dispensaries in some of the villages and has built three schools for the Bahrain Government. There is cordial co-operation between the Bahrain Government and BAPCO in all fields of social service and although it may seem strange that an oil company should be encouraged to occupy itself with so many activities not directly connected with the production of oil, yet it is now recognised in the Middle East that it is an obligation of oil companies not only to work for their shareholders but also for the benefit of the people of the country from which they derive their profits.

471 In 1940 a Supplementary Agreement was signed between the Ruler
382 and the Bahrain Petroleum Company in which the latter received an extension to its concession including all lands, shoals, reefs, waters and submerged lands of "the present and future domains" of the Ruler of Bahrain.

315 It is a comparatively rare thing for people visiting Bahrain to see the actual oil which has made the Islands famous, gone are the days when to "strike oil" meant that a huge gusher of oil would leap skywards covering everything about it with what is termed, in the hackneyed phrase of the journalist, "black gold." Today the drilling of a well is normally a tidy process ; when oil is struck the drillers have complete control over its flow and quickly cap the well with a "Christmas Tree," the nickname for the mass of taps and valves which are placed over the well head. From the well the oil is piped to the Refinery and then to the storage tanks at Sitra. But in every part of its processing little is seen of the oil except by the workers in the laboratories.

433 The oil industry today is the most important factor in Bahrain's economy and is recognised as such by the Government and the people of the country.

CHAPTER VI

JEWELS OF THE DEEP

228 Pearl diving is probably the oldest industry in Bahrain and has been the reason why an otherwise small and comparatively unproductive group of islands has been the scene of so many bitter wars and has been over-run by so many invading armies. From earliest times Bahrain has been famous for its pearls : in an Assyrian inscription of some 2000 B.C. a parcel of "fish eyes" from Dilmun is believed to be

471 228 The financing of a pearl boat is a complicated affair. Formerly most boats were owned by their captains, but today the majority of the larger boats belong to land merchants. In cases where boats belong to captains but are financed by land merchants, the latter make a profit of about 10%, but in cases where the merchants both own and provision the boats they receive 20% of the profits. After deducting costs, the remainder of the profit is shared in fixed proportions, the nakhuda receiving five parts, the diver two and the Saib one.

437 228 When the nakhuda sells the catch he must always be accompanied by two members of the crew, to see fair play. Sales are carried out in an unusual way. If the nakhuda and the purchaser or broker do not want the audience to know the amounts offered for the pearls, and as the sales take place in the quarter of the pearl brokers there are always interested bystanders, they spread a cloth over their hands and bargain by a sort of deaf and dumb language. Once they have agreed on the price the nakhuda must obtain the consent of the two witnesses before the sale is considered valid. The value of the pearls is established in 804 a special way. In the case of ordinary pearls, they are collected in 435 great numbers, sorted for size by a set of graded sieves, and each group is weighed and counted and their value in "chows," a form of measure- 228 ment derived from the weight of the pearls, is discovered from a book printed for the purpose. Once a pearl or pearls have been assessed at so many chows, the question of the value per chow is settled by bargaining, the price per chow depending on the average shape, texture and colour in the case of bunches of pearls or in single pearls. In the case of pairs of pearls their value depends greatly on how well they are matched. Seed pearls, the smallest form of pearls, are sold entirely by weight, while a single pearl has been known to sell for as much as £15,000, as in the case of the Bahrain pearl which was eventually bought by a well known American lady.

228 433 It is very difficult to estimate the value of the Bahrain catch in past years, the figure for 1833 was estimated at £240,000, £400,000 in 1835 and £303,941 in 1896. In more recent years the Bahrain Government has given official figures which outline the history of the industry during the past quarter of a century. In 1833 it was also said that there were 1,500 boats leaving Bahrain annually for the pearl banks, and in 1896, 900. The largest number of Bahrain pearling boats has been given as 2,000 but this figure is probably an exaggeration. That the industry has declined is proved by the figures, in 1930, 509 boats manned by 19,300 men found pearls worth Rs. 2,125,000, while in 1948 there were only 83 boats with a crew of 2,000 and finding a catch worth Rs. 855,000. Although the numbers of boats and divers decreased by about 6 times and 9 times respectively it is noticeable that the catch only decreased in value by 2½ times and in 1950 the catch was worth Rs. 1,650,000, more than half of the 1930 figure.

228 178 433 The reason for the decline in the industry, which started in 1930, was the severe trade depression which began in that year and which reduced the wealth of those in Europe who were in the habit of buying

REVIEW OF 1372

000 The two most important events during the year were the conclusion of a new oil agreement between the Government and the Bahrain Petroleum Company and His Highness Shaikh Sulman's first visit to Europe to attend the coronation of Her Majesty Queen Elizabeth.

471 651 439 The new oil agreement was on a 50—50 basis on the same lines as other agreements which have recently been made between governments and oil companies in the Middle East, it also provided for a payment to the State on oil imported into Bahrain for refining. As a result of this agreement the total revenue for the year under review was 373½ lakhs of rupees, approximately £2,800,000, though the new scale of payments was not in operation throughout the whole of 1372.

652 652 Expenditure was higher than in 1371. Excluding the one third of the oil revenue, which is paid to the Privy Purse, 48 per cent. of the State's expenditure was on social and public services; Education, Public Health, Public Protection and grants to Municipalities absorbed 18½ per cent., 15-3/8 per cent., 10-4/5 per cent., and 3 per cent. respectively, including capital expenditure on new schools, dispensaries and police quarters. The demand for more schools and hospitals is continuous and insistent but few Bahrain people realise the heavy recurrent cost of medical and education services which can be maintained on the present scale only as long as the present revenue continues.

651 511 342 471 Trade flourished and the revenue from customs was higher than in the previous year; during recent years customs collections have risen annually. Local prosperity was apparent from what might be described as a building boom. Many new houses and shops were built in the towns and suburbs by private enterprise. The type of house varied from European style bungalows and blocks of flats, built by merchants and shaikhs for letting, to small stone houses which are gradually replacing barastis, palm branch huts. Several serious fires in barasti areas, which destroyed many dwellings, gave an impetus to building. Working men who owned pieces of ground built small houses and the Government received hundreds of applications from people who wished to buy building plots. Unfortunately the Government owns very little land in and around the towns, much of it having been given away or sold cheaply many years ago.

511 167 161 The standard of living in Bahrain is very much higher than it was a few years ago and the health of the people is noticeably better than it used to be. For these reasons and owing to a steady influx of foreigners, mostly from Oman and the Trucial Coast, who come to Bahrain to work, it is believed that there has been a substantial increase in the population which at the time of the last census, in 1950, was found to be 110,000.

578 The state of public security was good in spite of the presence of large a number of foreigners who are not as naturally law abiding as the people of Bahrain. There were no political or labour disturbances.

648 439 Relations with Quatar deteriorated owing to incidents connected with the visit of a party of Bahrain schoolboys and school teachers to Zubara during the Spring holiday. The commercial development of Qatar tended to reduce Bahrain's transit trade and deprived some of the Bahrain merchants of agencies which used to include both Bahrain and Qatar. Relations with Saudi Arabia and Iraq were friendly, a deputation headed by Shaikh Isa bin Sulman, His Highness's eldest son, represented Bahrain at the coronation of King Faisal in Baghdad.

HIDD MUNICIPALITY

651 633 **Finance.** The total revenue was Rs. 28,739, slightly higher than in 1372. At the end of the year there was a surplus of Rs. 6,102. The amount expended was almost the same as in the previous year. At the end of the year His Highness granted Rs. 25,000 to the Municipal funds for building property to increase the Municipal revenue.

The town was clean and well kept and some progress was made in widening the one main street which passes through the length of the town.

RAFAA MUNICIPALITY

which includes East, West and North Rafaa

(From the report of Shaikh Abdulla bin Khalid, President of the Municipal Council)

651 633 363 This Municipality, the last one to be formed in Bahrain, having been established in 1371, carried out its duties successfully during the year. Its revenue was Rs. 37,000 of which Rs. 20,000 was a grant from the Government.

Houses were registered and numbered for the purpose of charging house tax and a piece of land below East Rafaa was laid out as a building area, in conjunction with the Land Department. The Municipality began work on widening the road which passes through East Rafaa and removed part of some houses in order to widen this road.

365 Repairs were carried out to Ain Hinainiyah, the old well on the plain below East Rafaa which provides fresh drinking water, which used to be sold in Manama at a high price, being of superior quality to the artesian well water.

364 Ancient rubbish heaps, which disfigured the edge of the town, were removed and the material was used to fill in deep pits, inside the town, where mud had been dug for building houses.

The Municipality began to establish a regular town cleaning service.

MINORS' ESTATES DEPARTMENT

(From the report of Mr. Mohammed Dowaiger, Superintendent of the Department)

471 657 The Department took over the administration of 19 new estates and dealt with 28 compensation cases relating to persons in the employment of the Bahrain Government and the Bahrain Petroleum Company. The value of the estates was Rs. 131,000. Compensation paid by the Bahrain Petroleum Company in cases of death or disablement of employees is passed by the Government to the Minors' Estates Department which pays the persons who are entitled to receive compensation.

657 427 Rents of property administered by the Department produced almost 2 lakhs, the number of properties, including shops, houses, gardens, etc., was 530. The Department sold nine lots of property during the year, for approximately half a lakh and made purchases amounting to Rs. 9,000. The sum of Rs [illegible]000 was recovered from divers who were in debt to various estates.

262 439 Over the past three years the Government has subsidised the price of meat and dates to the extent of approximately £70,000/-, sugar costing from £6 to £7 10s. has been sold to importers of livestock and dates at £3 15s. per bag.

656 That this policy has been wise is shown in the figures of imports of livestock during Ramadhan and Shawal 1372, as under :

Ramadhan 1372 :	Cattle	1019	head
	Sheep and Goats ..	13327	,,
Shawal, 1372	Cattle	526	,,
	Sheep and Goats ..	10914	,,

The retail prices to the public of beef, mutton, and goat meat in Bahrain are very much cheaper, by half at least, than in the neighbouring countries of Saudi Arabia and Kuweit.

Fish supplies were more plentiful than in the previous year, with prices again well below neighbouring states :

Imports of consumer goods increased during the year, and there are signs of over-stocking of certain commodities, particularly piece goods, flour, tea and motor cars.

During the year it was noticed there was a downward trend in the price of certain commodities such as timber, iron bars, windows, joists and muraba wood.

Large supplies of fresh fruits arrived in Bahrain from Lebanon. Persia, Australia, America and India, during the year with prices considerably lower than in the previous year.

Although the Government ended rationing during the year, it still maintains a price control on such essential commodities as meat, fish, rice, sugar, flour, wheat, tea and coffee.

STATE ENGINEER'S DEPARTMENT

(Report by Mr. D. Brammer, Assoc.I.E.E., M.A.S.E.E., State Engineer)

The Electricity Undertaking

377 655 ●471 **The Power Station.** A new 750 K.W. Generating Set was completed and put into commission on 10th Ramadhan, increasing the total installed capacity of the station to 3,750 K.W.

Units generated amounted to 10,58,560, an increase of 28 per cent. on the previous year and the electricity supply to the public was maintained without any major interruption.

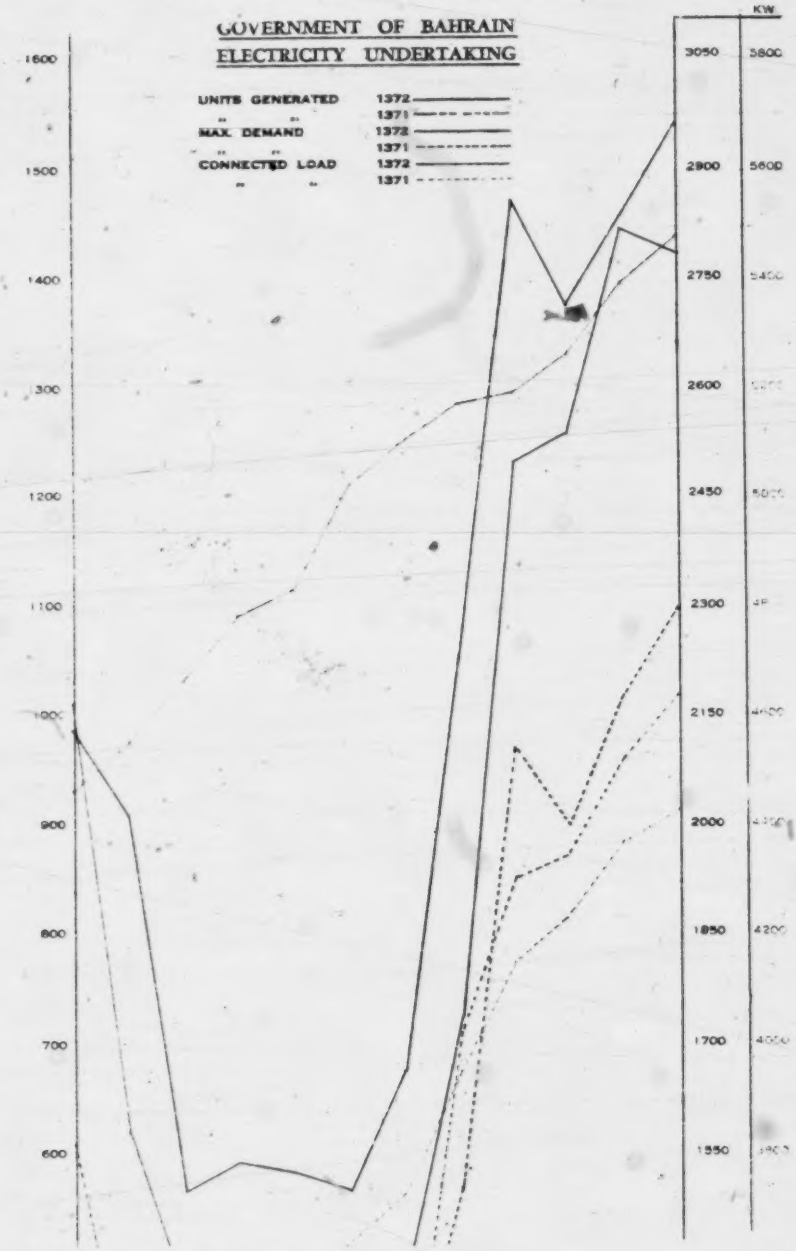
A notable achievement was the reduction in transmission losses from 13.25 per cent. to 6.26 per cent., a saving of some 360,000 units.

Mains Department. The four skilled linesmen who were recruited in India last year were discharged in Dhul Haj, 1372. Their work had become most unsatisfactory. The work of renewal and maintenance proceeded satisfactorily but the rate of connection of new consumers is still far too low and further efforts are now being made to recruit skilled staff in order to speed up this work.

A new underground H.T. cable was laid from the Power Station to "C" Sub-station and the H.T. overhead line between Muharraq Town and the Royal Air Force Station was re-erected and its capacity doubled.

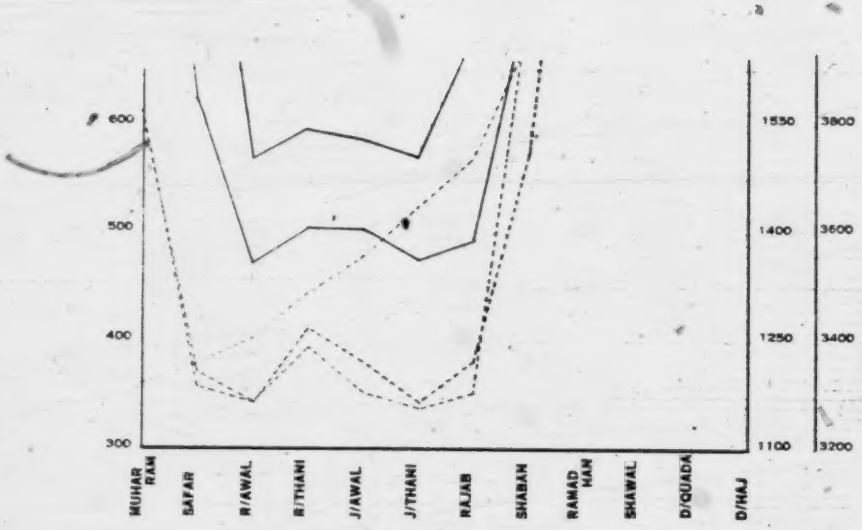
[365] The H.T. underground cable around Muharraq Town was completed giving an extra supply of 320 k.w. to districts which had never before had an electricity supply, and some two miles of L.T. distribution were erected in the town, together with street lights.

471
377
655



[facing page 62 Top]

471
377
655



[facing page 62 Bottom]

GENERAL

648 **Distinguished Visitors.** Among the many notable persons who visited Bahrain during the year were H.R.H. The Duchess of Kent and H.R.H. the Duke of Kent, who were on their way to the Far East. H.H. Shaikh Abdulla As Salim, Ruler of Kuwait paid his usual visit to the country; H.E. Ghulam Mohammed, Governor General of Pakistan, stayed for a night on his way to Saudi Arabia. Other visitors were H.E. Dr. Mohammed Fadhel Al Jamali, Prime Minister of Iraq; Field Marshal Sir Claude Auchinleck; His Eminence Jirgis Daoud Kandila, Metropolitan of the Syrian Catholic Church; a group of British Members of Parliament; numerous rulers of the Shaikhdoms of the Trucial Coast; foreign diplomats; journalists of many nationalities and senior British and American Army, Navy and Air Force Officers.

Coronation of King Faisal. H.E. Shaikh Isa, the eldestson of His Highness, represented his father at the coronation in Baghdad in June of H.M. King Faisal II. He was accompanied by several of his relations. The Bahrain delegation travelled to and from Baghdad by air.

655 **Postage Stamps.** A Bahrain 1¼ Anna stamp, for internal postage, bearing a portrait of His Highness Shaikh Sulman, was brought into circulation during the year. Some progress was made in the process of the Government gradually taking over the administration of the postal services.

000 **"Caltex Bahrain."** The new oil tanker, *Caltex Bahrain*, was launched in December, in England. The launching ceremony was performed by Lady Belgrave.

471 274 **Pepsi Cola Factory.** Mr. Husain Ahmedi, a local merchant, built a factory on the south-west of Manama for making Pepsi Cola. This is the first enterprise of this type which has been undertaken in Bahrain.

423 656 **Stamped Paper and Title Deeds.** The Government adopted a new design of stamped paper, which is used for agreements, receipts, powers of attorney, etc. New forms were also introduced for title deeds.

797 **Anglican Church.** The building of an Anglican Church was completed on a site east of the Fort which was presented to the Anglican Community by His Highness Shaikh Sulman.

000 **Agriculture.** No report on agriculture has been included this year as Mr. J. Edmond, the Agricultural Officer, completed his period of contract with the Government and proceeded on leave, pending retirement, on 15th September, 1952.

Mr. Van Ollenbach was appointed Agricultural Officer and began his duties on 5th January, 1953.

HIS HIGHNESS SHAIKH SULMAN'S VISIT TO ENGLAND

648 His Highness Shaikh Sulman left Bahrain, by air, on 13th May and arrived back in his country on June 26th. His party consisted of his youngest son, Shaikh Mohammed bin Sulman, Sir Charles and Lady Belgrave, Mr. Husain Yateem and two secretaries.

He travelled by air to Beirut where he stayed for one night; by sea, in S.S. *Esperia*, to Venice where he stayed for three days; by train to Montreux, on the Lake of Geneva, where he spent four days, and on by train to Paris where he stayed for two nights. He reached London on May 28th.

5: Bahrain G-5 (1926-1937) 1937 MZ2 Bahrain MZ2

Ruler's house at Sakhir with the exchange by means of a line from Manamah through the Bahrain Petroleum Company's exchange. Telephonic communication now exists over a great part of the islands; from the aerodrome in Muharraq it is possible to talk to steamers lying off Sitra, as a submarine cable was laid by the Bahrain Petroleum Company to the Sitra anchorage, or to distant points on the oil field far down at the south end of the island.

At the end of 1355 (1936-37) there were 40 telephone subscribers, and it is expected that during the next year this number will increase to 60. The trunk line to the Bahrain Petroleum Company's Camp was duplicated in order to deal with the increased traffic. The possibility of installing an automatic switchboard (100 lines) is now under consideration. The advantages would be the elimination of operators and the language difficulties and the prevention of listening-in.

SUMMARY OF SEVEN YEARS' WORKING

Year.	*Units Generated.*	*Units Sold.*	*Revenue Rs*	*Connected Load in Kw.*
1349 (1930-31) ...	88,080 ...	47,340 ...	20,750/- ...	102
1350 (1931-32) ...	111,367 ...	65,813 ...	22,486/- ...	46
1351 (1932-33) ...	120,629 ...	79,550 ...	27,463/- ...	23
1352 (1933-34) ...	134,744 ...	83,241 ...	30,987/- ...	9
1353 (1934-35) ...	147,050 ...	100,449 ...	36,797/- ...	16
1354 (1935-36) ...	163,751 ...	116,440 ...	43,828/- ...	27
1355 (1936-37) ...	232,320 ...	151,255 ...	60,108/- ...	58

The revenue figures are shown to the nearest rupee.

AGRICULTURE

Until a few years ago agriculture in Bahrain consisted of cultivating dates and lucerne fairly extensively and growing citrus fruit and a few poor vegetables such as onions, tomatoes, radishes, and melons. In 1930 the Government attempted to encourage agriculture by employing an agricultural expert from Iraq, but owing to lack of funds his services were dispensed with before he could make much progress.

The encouragement of agriculture presents many difficulties. Bahrain Arabs regard all agricultural work as derogatory; I have never met one who worked in a garden or a date grove. All the cultivators are Shia aboriginals or Hasawis imported from the mainland as labourers. This feeling against working on the land, and also the question of land tenure have, I believe, restricted the increase of agriculture during the last century. There is ample evidence to show that in the past a great deal more land was cultivated than is to-day. The people who do work on the land are intensely conservative and view all methods except their own with dislike and suspicion.

Land Tenure. Most of the open cultivatable land, which is along the coast, is claimed by the Ruling Family, who make no use of it themselves, but prevent the Bahama from extending their existing gardens. In the past, Shaikh Sir Isa was in the habit of issuing papers to various of his relations, gifting to them whole districts of Bahrain. These 'hiba' documents, which were often written on scraps of paper, included large areas described as 'sehar,' containing roads, villages, springs, privately owned property as well as open land. The Shaikhs who acquired 'hibas' enjoyed feudal rights over the territories which were mentioned in their documents, and in the past they were allowed to make what they could out of them by independent taxation of the people living in the villages, by employing forced labour and by using open land as grazing grounds for the animals which they used to own before the days of motor cars. When the 'hiba' system began, long before the introduction of artesian wells, the possibility of increased cultivation was not visualised, but now the holders of 'hibas'

5: Bahrain G-5 (1926-1937) 1937 MZ2 Bahrain MZ2

have interpreted them as giving actual and exclusive ownership of all land which is not privately owned which is really State land. As a result of this condition, nearly all the land from Manamah to beyond Zellaq, along the coast, is claimed by various members of the Ruling Family.

Date Cultivation. Dates are the most important crop in Bahrain; though not as good as the Hassa dates, they are said to be more lasting. Most gardens contain a large proportion of inferior species which are used only for feeding animals. Few gardens are well kept. More than half of the gardens belong to the Khalifah, who for years have spent no money on improving them, but in spite of this they complain incessantly that the rents have fallen off, which is owing to the decrease in the market price of dates by over 60%, and the deterioration of the gardens from lack of care and expenditure on improvements. Dates form part of the staple diet in Bahrain and are much used for provisioning the pearl fleet, but the home-grown crop is not enough to meet the local demand, and every year about six lacs' worth of dates are imported from Hassa and Iraq. There is no land tax and no tax on date trees in Bahrain, so it is impossible to give an estimate of the number of date palms, but the whole area under cultivation is very small, perhaps one-fiftieth of the total area of the islands. Recently the number of date gardens has been slightly increased, as a few people, notably the Ruler himself, have sunk artesian wells and planted land with trees. The date crop could undoubtedly be improved if more care was taken over the cultivation. In Bahrain, date cultivation is a casual affair, trees are never manured, and there is no regular system of planting. In one of the Ruler's gardens the experiment was made some years ago of manuring the roots of the trees, and the result of this was that the trees produced better crops than those which had not been manured. The use of any form of fertiliser, either decayed leaves and camel thorn or animal manure, was unknown a few years ago, but it is now being used in gardens, but not for date trees.

Lucerne. Lucerne is used extensively as fodder for cows and donkeys. It grows rapidly and is easily cultivated on poor soil. Both Hassa and Bahrain seeds are used, the latter being more expensive, and when once established it will grow for as long as ten years and will give a crop every month. It is very hardy in growth, but is liable to attacks by a kind of small caterpillar which appears once or twice every year and destroys all the lucerne in whole districts of the country. Experiments have been made by the camel section of the police in drying lucerne and using it as dry fodder when out on patrol; this has been found very successful.

Cereals. At one time it was the custom of the people of Rafaa to sow barley before the rainy season on the plain below the town, and for many years successful crops were harvested, but the crop occasionally failed owing to lack of rain. For some years now this practice has ceased, partly because the people of Rafaa are more prosperous than before, as almost all the able-bodied men of the town have obtained employment with the Bahrain Petroleum Company.

An experiment was made in growing California barley by the Government some years ago on irrigated land, and this was found to be a success.

Last year, millet was raised in the Fort garden. It sprang from the camel manure which was used in the soil. It grew sufficiently well to show that there were possibilities of its being grown on a large scale. Maize or Indian corn has also been grown in small quantities.

Three years ago a crop of rice was grown by Khan Bahadur Abdul Aziz Gozaibi, who is a large landowner and interested in agriculture. The rice was grown in rich, well-watered land near Sehlah; the seed was from Hassa, where it is cultivated extensively, and the crop yielded a small profit.

A little maize or Indian corn is grown in some gardens, and finds a ready sale in the bazaar; the quality is poor, probably because no care is taken to procure good seed.

Cotton. In the time of the Caliphs, cotton from Bahrain used to be sent to Baghdad, but it is not certain that this cotton was grown in the islands, as at that time much of the mainland was also known as Bahrain. In 1930 an experiment was made in growing

5: Bahrain G-5 (1926-1937) 1937 MZ2 Bahrain MZ2

are chairs, tables, window curtains, often framed pictures and photographs, and usually a gramophone; in the houses of the wealthier people there is often a wireless set. Coffee shops reflect the change in ways of living. They are important institutions in Bahrain and take the place of clubs or cafes in Europe. Each has its regular clientele, but the popularity of individual coffee shops varies according to fashion. Ten years ago, coffee shops were usually small shops inside the bazaar, furnished with a few rough benches, where little else than coffee could be obtained. To-day, most of the coffee shops are elaborately decorated and illuminated, provided with little tables and chairs, and a gramophone or a wireless set which plays loudly and incessantly, relaying Arabic programmes to the customers. Some of the coffee shops are divided into two parts: in one part only coffee and drinks are served, and in the other part regular meals can be obtained, including Indian and Persian dishes, bread, cakes, and ices in the summer. Most of the proprietors are foreigners—Indians, Persians, and Iraqi, who are more enterprising in these matters than the local people. The bigger coffee shops are now referred to by the public as 'otels.'

Games. The popularity of games is another recent development during the last ten years. Before this, nobody played games except the men of the Levy Corps, who were made to do so, which was regarded as a peculiarity of the Commanding Officer. To-day, there are half-a-dozen local football teams and several hockey teams, who play against each other or against teams of sailors or Europeans from the Bahrain Petroleum Company. They play well, and are very keen, and every match attracts a large and interested audience from the town. Many of the parents of the young men who play disapprove of hockey and football, which they consider dangerous and unnecessary, chiefly because they did not play themselves when they were young. There is an entire lack of class distinction in these games: the sons of shaikhs play side-by-side with policemen, clerks, and taxi drivers. Although games have improved the physique of those who play them, the use of motor cars instead of horses or donkeys has caused a great many people to become soft and flabby. Sons of wealthy fathers, especially the young members of the Ruling Family, have entirely left off taking any exercise. They use a car to go a few yards; they never walk, and the only occasion on which they ride a horse is during marriage celebration or on public holidays, such as the annual accession celebrations.

Class Changes. The depression in the pearl trade and the recent improvement in the bazaars has caused an upheaval in financial positions, and with it a certain change in the political importance of classes. This change is gradually, though unwillingly, being appreciated by the Ruling Family. In the days when the pearl trade was flourishing, pearl merchants and nakhudas were the monied classes, and their money gave them great power, which they did not scruple to use for their own benefit. To-day, the men who used to be worth lacs of rupees are, in many cases, almost bankrupt, and petty traders, shop-keepers, and men who happen to own property in Manamah, are becoming the monied class. The old powerful pearl merchants were, in many cases, self-made men who started life as divers, but their wealth made them important and, though most of them could neither read or write, they were the people who mattered in Bahrain. Many of these men have lost all their influence because their money has gone. The class which is now becoming prosperous is more progressive, more mixed, and better educated, but as a community it does not hang together because, unlike the case of the pearl industry, its prosperity does not depend upon one trade alone. One of the serious disadvantages of the change is that the pearl industry provided work, during part of the year, for many thousands of men, but the people who are now making money provide little employment for the people. At present, about five thousand divers are working in the oil field. They are making a great deal more money than they would normally make from diving and, besides earning money, they are paying back their debts to the nakhudas by regular monthly instalments, so both parties are satisfied; but this employment is not permanent and, when present construction work at the oil field is finished, there will be a sudden increase in unemployment which will have to be dealt with by the Government.

The Ruling Family. The life and outlook of the members of the Ruling Family, with a few notable exceptions, has changed less than that of any other community. Although there is a great difference between the outlook of the older men and those who have grown up during the last ten years, the attitude of the family as a whole is

still that of feudal chiefs, though the feudal feeling no longer exists among the people of Bahrain. They consider it their right that they should be well provided for financially by the State, and they resent any suggestion that they should add to their incomes by doing work. They are still the biggest landowners in Bahrain, but by draining their property dry, and not spending any money on improvements, their property has deteriorated in value. They regard any real work as degrading, and only accept posts on courts or councils for the sake of obtaining more money, not because it is incumbent on them, as members of the Ruling Family, to occupy public positions. Their attitude in this respect is a contrast to that of the merchant class in Bahrain, who are unusually public minded and who freely give up much of their time to sit on courts and committees and councils.

The Women.

Among the women, too, there have been changes, but they are more gradual than among the men. Every step towards emancipation is firmly resisted by the older female members of the households, but in spite of this there is a definite feeling among the younger women that they should have more freedom. Their ambition, at present, is not to take any part in public matters, but to be able to go out more frequently. They are becoming restive of the restrictions of the purdah system. Some are now educated, and a few have travelled abroad in Syria, Persia, India, and Iraq, and there they have seen the changes which are taking place in the life of the women of those countries. Many who have never been out of Bahrain read newspapers and listen to news on wireless sets, and frequently meet Indian and Syrian women in Bahrain. All this causes them to feel unsettled.

One of the notable recent changes is that nowadays a great many young men only marry one wife, not because they cannot afford to support more wives, but because they prefer monogamy. The younger men are no longer ashamed of mentioning their wives and talking about their families, and many of them take their wives out with them in cars. A few years ago, if a man was seen with a woman in his car, one could be quite sure that she was not his wife. The modern young men look for wives who are educated, and frequently marry Persian or Iraqi girls because they received better education. One of the effects of education among the women in Bahrain is that they learn to keep their houses clean and they appreciate the value of hygiene, which is taught at school. Education also makes them willing to employ qualified doctors, especially at childbirth, when, in the past, they would have been treated by local Arab untrained midwives who are dirty and dangerous, and whose use of the notorious salt method is undoubtedly responsible for an enormous number of casualties among children and pregnant women.

Changes are taking place all over the Gulf, but of the Arab States, Bahrain is changing most rapidly. The most conspicuous visible changes in comparing Bahrain to-day and ten years ago are in the capital, where a person returning to the country would notice the wider streets, better buildings, and a decrease in straw huts, trees, gardens and more vegetation, large shops selling European goods, motor traffic, European dress worn by natives, increasing use of machinery, partly owing to installation of electric power, knowledge of English language, and a far greater interest being taken in outside world affairs.

6:Faroughy H-5 (no date)1951 MZ2 Bahrain MZ2

439 In 1944 U. S. imports from Bahrein amounted to $30,859, most of which was classified in Group 9 (Miscellaneous) by the Department of Commerce. Of the total imports the New York Customs District received $27,551, or almost 90%. The total of the exports to Bahrein from the United States in the same year was $12,369,647, of which lend-lease materials accounted for $293,786.

The following table shows the principal articles which Bahrein imported from the United States for the year 1944.

Table 7. IMPORTS FROM UNITED STATES—1944

Item	Value (in U.S. Dollars)
Animals and Animal products	323,846
Vegetables and Vegetable beverages	320,318
Vegetable products (except Wood and Fibers)	155,188
Textile fibers and manufactures	104,808
Non-metallic minerals	545,221
Metals and manufactures (except Machinery)	3,823,521
Machinery and Vehicles (Electric pumps, Engines)	5,434,105
Chemicals and Related products	1,023,226
Miscellaneous	188,129

OIL

471 The oil concession on Bahrein Island is held by the Bahrein Petroleum Company, which is Canadian registered but owned by American companies, 50% by Standard Oil of California and 50% by The Texas Company.[1]

315 After a geological survey the company began drilling in 1931 in the Jabal Dukhān region, and oil was discovered in June 1932 at a depth of 2,009 feet.

382 By 1935 there were sixteen producing wells and six more drilling. At that time more than 10,000 acres had been proved oil bearing and potential production was estimated at 20,000

1. For a detailed account of the history of oil development in the Persian Gulf, see History, p. 103.

6:Faroughy H-5 (no date)1951 MZ2 Bahrain MZ2

August 2, 1928, which developed in detail the matters discussed in the preceding note and affirmed Persian sovereignty over Bahrein. England answered on February 18, 1929, developing the arguments in her first note and reiterating her previous contentions.

Meanwhile, the Bahrein Government instituted visa regulations and established a land registry office. Since the promulgation of the decree of December 21, 1927, all real properties had to be registered, but no one except "a subject of Bahrein" had right to own property in the island.

Obviously this was to deprive Persians of their rights of ownership in Bahrein. Many sold their land and migrated to Persia, and those who stayed behind had to accept Bahrein citizenship.[1]

Also, previously passports had not been required from Persians travelling to Bahrein, and Persia protested against the change. According to the Persian note, the change "was the explicit recognition by the English authorities of the indisputable right of Iran [Persia] over Bahrein."

Publication of the news of oil concessions obtained previously by Major Holmes from the Bahrein Government, provoked on July 23, 1930, another note from Persia, in which she declared the concession invalid and "reserved—the right to reclaim or to demand restitution of all profits resulting eventually from that concession, without prejudice of all damages relating to it." This strong protest did not deter the English syndicate from ceding its rights to the Standard Oil Company of California, which began systematic exploitation.

The concession to prospect and explore for oil in Bahrein had been obtained on December 2, 1925, to Major Frank Holmes, representing Eastern and General Syndicate, a British company headed by Edmond Davis. For two years, the syndicate tried without success, to interest first British, and later American concerns, in the development of the Bahrein concession. Finally, on

1. This decree was still stiffened by the decrees of 1930 and that of May 23, 1941.

6:Faroughy H-5 (no date)1951 MZ2 Bahrain MZ2

971 November 30, 1927, an American corporation, the Eastern 648 Gulf Company,[1] acquired the option which was scheduled to expire January 1, 1929. Under the terms of the option, Eastern Gulf started preparatory work and made a surface geological map of Bahrein Island.

Gulf, however, which at that time was a member of the American Group[2] of the Turkish Petroleum Company,[3] signed the Group Agreement of July 31, 1928. This Agreement incorporated the restrictive clause of the Foreign Office Agreement of 1914, which prohibited the signatories from acting independently "directly or indirectly in the production or manufacture of crude oil" in an area bounded on the map by a red line.[4] In order to hold on to its interests in Iraq Petroleum, and also because it held an option on a concession for Koweit, Eastern Gulf, with the consent of the Syndicate,[5] on December 28, 1928, assigned its Bahrein option to the Standard Oil Company of California for the sum of $50,000. Under the terms of the option, the syndicate was to secure from the British Colonial Office a one-year renewal of the concession, due to expire December 2, 1928.

In the meantime, after the payment of the rent due in October 1928, the Colonial Office, now aware of the transaction, made the renewal of the lease "contingent upon insertion in the agreement of a clause providing, among other things, that the managing director and a majority of the other directors should be British subjects, that the Concessionaire Company should be

---

1. A subsidiary of the Gulf Oil Corporation of Pennsylvania, which was controlled by Andrew Mellon.
2. This group owned 23.75% of Turkish Petroleum. The other four members of the American Group were: Atlantic Refining Company, Pan-American Petroleum and Transport Company, Standard Oil Company of New York (since 1931, Socony Vacuum Oil Company), and Standard Oil of New Jersey.
3. Iraq Petroleum Company since 1929.
4. For this reason, the Group Agreement is commonly referred to as the "Red Line Agreement." The restricted area includes most of the pre-World War I territory of the Ottoman Empire, the islands of Rhodes, Cyprus, Kamaran, and Bahrein, excluding Farsan Island and the Sheikdom of Koweit.
5. After consultation with its partners in Iraq Petroleum.

6:Faroughy H-5 (no date)1951 MZ2 Bahrain MZ2

British registered, and none of the rights and privileges which the Sheik had granted in the Concession would be controlled directly or indirectly by foreigners."

471
648

These conditions seemed contrary to the Open Door policy and to the equality of commercial opportunity advocated by the United States since the first World War. Secretary of State Kellogg, on March 28, 1929, instructed the American Chargé d'Affaires "to discuss this case informally" with the British Government.

The British, in their answer declared themselves to be "prepared in principle to consent to the participation of United States interests in [the Bahrein] concession, subject to [their] being satisfied as to the conditions on which U. S. capital will participate and in particular as to the nationality of the operating company, of its chairman and directors, and of the personnel who will be employed in the Islands." The note suggested "direct discussions between representatives of the Eastern and General Syndicate, as the existing Concessionaire, and the Colonial Office."

The negotiations which took place in London were successful, and Standard Oil of California nominated its fully-owned subsidiary, the Bahrein Petroleum Company,[1] as the company to which the concession should be transferred. On August 1, 1930, in agreement with the Sheik of Bahrein, formal assignment of the concession to the Bahrein Petroleum Company was concluded.

September 19, 1930, British authorities had arrested a number of important Persian residents in the island who had been accused of inviting the Bahreinis to send a petition to the League of Nations against the projected union of the Arab Principalities of the Persian Gulf, a movement patronized by the British Government. After some disturbances, calm was restored when units of the British fleet started "maneuvers" in plain view of the island.

By now, the Bahrein oil companies had started their exploita-

1. Incorporated in Canada (Ottawa, January 11, 1929).

471
648 tion of the island, and in a note to the United States Minister at Teheran dated May 22, 1934, Persia denounced the concession as having been granted by "legally incompetent authorities," thus rendering it null and void. As in the British note, she "reserved all . . . rights . . . to all profits realized by the said concessions", and stated that she regarded the United States liable for all damages sustained by the Persian Government.

The American Department of State was reluctant to recognize Persia's claim over the Bahrein Island. It should be recalled, that the Reservation sponsored by Senator King of Utah, and approved to the Convention for the Supervision of the International Trade in Arms and Ammunition and in Implements of War, which the Senate passed on June 15, 1934, was strongly opposed by the Administration. This Reservation was to prevent the United States Government undertaking steps which would "deny any right of sovereignty which Persia might have, in, and to, the Persian Gulf." Finally the Senate approved the Convention without the King Reservation.

Soon these exchanges of diplomatic correspondences were terminated by Sir John Simon, the British Foreign Secretary, who in a note addressed on July 23, 1934 to the General Secretary of the League of Nations, declared that his Government "did not intend for the moment to add anything to her former notes." This was a dead end, and the "Bahrein Affair" became another of the forgotten cases of the League.

The Persian Minister for Foreign Affairs prepared yet another note, but for some reason it was not sent.

On December 29, 1934, the Sheik of Bahrein granted the Bahrein Petroleum Company a mining lease to extend for fifty-five years from January 1, 1935. This lease covered approximately 100,000 acres selected by the company in one block on the main island of Bahrein.

The Bahrein Petroleum Company, however, did not have facilities to market its production. The Texas Corporation, on the other hand, had extensive marketing facilities, both direct and through agents, in the areas east of Suez. Therefore, Stan-

6:Faroughy H-5 (no date)1951 MZ2 Bahrain MZ2

dard Oil of California and the Texas Company therefore, 471
consolidated their interests "east of Suez", and in July 1936 648
created Caltex (the California-Texas Oil Company, Ltd.), incorporating in the Bahamas. The Texas Company transferred to the Bahrein Petroleum Company, (sole owner of Caltex), its five wholly-owned subsidiaries with marketing facilities in eastern and southern Africa, eastern and southern Asia, the Philippine Islands, the East Indies, Australia, and New Zealand. In turn, the Texas Company acquired a 50% interest in Bahrein which doubled its capitalization, and issued the newly created shares to The Texas Company. Standard Oil of California continued to hold the remaining 50%.

The rivalry between Britain and Italy, and the Italo-Ethiopian 648
War, motivated Great Britain to strengthen her defenses in the Persian Gulf. Since 1930, the Baghdad-Karachi route, which had passed over the Persian mainland, had been detoured southward to pass over Koweit, Bahrein, and Sharjah (in Oman), then follow the coast to the Persian Gulf to Gwadar, in English Baluchistan, and thence to Karachi.

The British Government purchased from the Sheik of Bahrein, the vast promontory on the northeastern point of the island at Manama, in order to transfer their naval base from Henjam and Basidu, to Bahrein. The Bahrein Government agreed to undertake the construction there of the necessary buildings for lodging officers and men, and a military airport was built for the R. A. F., as well as a base for hydro-planes.

The British Naval base at Basra was abandoned, and Bahrein became the strategic center for Britain in the Gulf. It is the seat not only of the Political Resident, but also of the Political Agent for Bahrein, the Assistant Political Agent, the Political Officer for the Trucial Coast, and the Publicity Officer for the Persian Gulf. These officials are to be distinguished from the technical advisers to the Sheik, who, although they are also British subjects, are state servants of Bahrein, and thus not subordinate to the Persian Gulf Residency. Chief among these are: the Political Adviser to the Government of Bahrein, the

Crown, and the King of England wrote to each to thank him for his generous offer. A typical gesture, announced proudly by BBC, was that of the Sheik of Bahrein, who declared that, although he had no men whom he could put in the service of the British, he was able to send a gift of money. This gift, which amounted to £30,000, was added to a pool organized to buy a Spitfire which was to be named *Bahrein.* In addition to the monetary gift, the Government put at the disposal of the British Admiralty "for the duration of the war", the entire pearl fishing fleet of the island, estimated at more than 3,000 units.

Meanwhile, by a Supplementary Agreement dated June 19, 1940, the Bahrein Petroleum Company received an extension of its concession, to include the area covering all lands, shoals, reefs, waters, and submerged lands of "the present and future domains" of the Sheik of Bahrein. The new concession supplants the mining lease of 1934, and the revised agreement with the Bahrein Petroleum Company covers a period of fifty-five years, dating from June 19, 1940. The present area of the concession is given as approximately 1,664,000 acres, with a proved reserve of about 200 million barrels.

The refineries and oil depots of the Bahrein Islands were bombed in October 1940 by three Italian heavy bombers—with "satisfactory results", according to a communiqué of the Italian High Command of October 20, 1940. The planes had taken off from Dodecanese bases, and the 2,500 mile raid was the longest then on record by any of the belligerents.

The results were not, according to Allied sources, as satisfactory as the Italians claimed. The planes which dropped about fifty bombs, caused very little damage to the main part of the refinery.

According to *Middle East Journal,* the Persian Government protested to Italy for this violation of its national territory.

On February 20, 1942, at the age of 70, Sheik Hamed died of a stroke and his eldest son, Salman, the Governor of Manama, succeeded him. British recognition was announced by the

voted unanimouly to place at the head of its agenda, a bill to assert Iranian sovereignty over Bahrein.

The Iranian authorities announced that telegrams and letters for Bahrein would be dispatched at domestic rates, as the Islands are part of Iranian national territory.

To complicate the matter, there was talk of partnership between the English and American oil interests in the Persian Gulf.

The question of participation of Socony Vacuum and Standard Oil of New Jersey in the holdings of Arabian Oil Company, and the building of the Tap Line, were under consideration.

Then there emerged an entirely new problem. On October 2, 1945, President Truman issued a presidential proclimation, that whatever may be under the waters of the Gulf of Mexico to the continental shelf "appertains" to the United States.

His precedent was the exploitation of the guano deposits of the Navassa Island, which since 1804 had legally belonged to Haiti. The United States, however, over the protest of the Haitian government, declared that Navassa "appertained" to the United States.

This was to extend the control by the coastal states over submarine areas beneath the high seas and outside of territorial waters.

The Iranian Government in a draft legislation submitted to the Parliament on May 19, 1949, affirmed the intention to extend Iranian sovereignty to the Continental Shelf in the Persian Gulf.

On May 28, the Saudi Arabian Government also pronounced, although on somewhat different theory, on a concept of contiguity, its claim over the waters of the Persian Gulf. This was followed on June 5, 1949, by a proclamation by the Sheik of Bahrein that the "sea bed and sub-soil of the high seas of the Persian Gulf bordering on the territorial waters of Bahrein and extending seaward," . . . belong to the country of Bahrein, and are subject to absolute authority and jurisdiction."

However, the limit was to be determined "after consultation with the neighboring governments," . . . with the principles of justice, when occasion so requires."

Soon afterwards, the Bahrein action was followed by proclamations of six other Sheikdoms along the Trucial coast, in substance similar to that of Bahrein.

Since then, the extraction of oil and other minerals from the bottom of the sea, has become a relatively easy every day operation.

At present, there are several wells operating in the Gulf of Mexico at distances of ten to forty miles from the American mainland, and at various depths. Therefore, the legal problems created by these proclamations have more than academic interest.

The islands and subsoil of the Persian Gulf have been classified as Zone 8, in the Operational Agenda plans of the Iranian Oil Company, which is a nationally owned company.

On the other hand, the Arabian Oil Co. and the Bahrein Petroleum Co. are exploiting Saudi Arabian and Bahrein oil. It is obvious that the two interests are working in opposite directions.

By the signing of the Anglo-American Oil Agreement, the two Governments are acting jointly, and the partnership of the Anglo-Iranian "oil deal" has united the interests of the two Governments.

However, to the eyes of Persians, Bahrein constitutes a "terra iredenta", and the Persian Government naturally resents any attempt to neglect its claim over Bahrein which it considers an integral part of its national territory.

In the last three years, Persia has proclaimed this attitude three times.

On April 2, 1949, the International Postal Union, in a circular, represented Bahrein among its adherents. Persia protested, and affirmed that it would continue to consider Post Office in Bahrein as an office in the territory of Persia.

8:Qubain S-5 (1952-53)1955 MZ2 Bahrain MZ2

as the 19th century even the British recognized that Iran had some rights in Bahrain. The Iranian government has never relinquished its claims to the islands, a fact which has had a direct bearing on the position of the Persian community.

Under these favorable circumstances, Persians have been able until recently to move in and out of Bahrain without hindrance or restriction. Over the centuries a prosperous community developed, made up mostly of merchants, so that today some of the wealthiest inhabitants of Manamah are Persians. Generally speaking, this community is more enterprising, better educated, and has a higher standard of living than the local inhabitants of the land. But although the Persians grew prosperous and acquired property in houses and some land, their hearts were never in Bahrain — they were across the Gulf in the mother country. Bahrain is regarded by the Persians as an outpost for commercial activity but not for permanent settlement.

The Persians are resented by both the Arab inhabitants and the British. They are resented by the Arabs because they constitute a foreign community which is somewhat aloof from the rest of the population; in part, also, because of envy of their general prosperity and because they are regarded as interlopers who are taking the wealth of the country away. Two other serious objections to them are that they are Shi'is by religion and tend to look toward Iran rather than the Arab world for political association.

As for the British, they resent them for numerous reasons. In almost every way they constitute a threat, minor and insignificant though it may be, to the consolidation of their position in the shaykhdom. This is especially true since Bahrain has become the chief base for British naval, air, and political activity in the Persian Gulf. Specifically, the British resent the Persian community because it has always opposed what it regards as the "Indianization" policies of the British in Bahrain. It has played the double role of an opposition party and a fifth column. The recent difficulties of the British government and the Anglo-Iranian Oil Company in Iran brought the problem of Anglo-Iranian relations to a sharp focus. The situation has constituted a threat to British prestige in the Gulf. In Bahrain Mosaddaq was regarded as a liberator — in the early part of 1953 pictures of him could be seen in many shops in Manamah.

The policies of the government of Bahrain have been detrimental to the position of the Persian community. In 1927 visas for entry to Bahrain became required of Persian subjects. In December of the same year a land registry office was established and a decree passed requiring that all land be registered; it also stipulated that only Bahrain subjects could own real property. With the passage of the decree a good many Persians had only two alternatives: either to acquire Bahrain citizenship, which many of them

8:Qubain S-5 (1952-53)1955 MZ2 Bahrain MZ2

did, or sell out and return to the mother country. Those who remained are engaged either in trade or employed by the oil company or some other business establishment. In the last few years the government has been refusing to grant citizenship to Persian residents even though they may legally qualify.[12]

The Indians, the second largest foreign community, are in a certain sense in a position similar to that of the Persians. Bahrain, like other principalities in the Persian Gulf, has had a long association with the subcontinent through trade. In 1913, when the Bahrain Order-in-Council was passed, the country became administratively subject to the jurisdiction of the Governor-General of India.

The Indians constitute a prosperous and fairly well educated community. Some are engaged in trade on a big scale or as petty merchants. The rest — and they are the majority — are employed either by the government, the oil company, the British military and civil establishment, or other foreign business concerns in the country. They work mostly as clerks, foremen, cooks, waiters, and domestic servants.

Various explanations have been made as to why Indians are employed in such large numbers in preference to local Bahrainis or persons from other nationalities. In the first place, Bahrain does not have enough young men with a minimum of education and clerical or industrial training to fill these positions. Secondly, in view of British policy to tie Bahrain to India, it was only natural to look to it for the necessary labor supply. Furthermore, India could supply labor well trained by the British and used to their ways. Finally, Indian labor could be obtained at a lower rate than equally skilled labor from other countries.

The status of Indians is a rather peculiar one, for they live in a social zone all by themselves. They are resented by the native population and accepted only as subordinates by Westerners, with whom they would like to associate and with whom they would like to be classified. This is true especially of the clerical and professional group among them.

The causes of Bahraini resentment against them are psychological and economic in nature. In the first place, they constitute a community which is definitely foreign and makes a point of it, and in some respects looks down on the local population. This is especially the case among the white-collar workers.

Secondly, on the whole, the Indian community wields power far beyond its number. The people in Bahrain see Indians in government and business establishments and develop the feeling that they are being governed by them along with the British.

In the third place, clerical positions occupied by Indians and other for-

[12] *Census 1950*, p. 6.

3;Royal Institute of International Affairs U-4 (no date)1954 M1 Middle East
Bahrain MZ2

175 island and was referred to the League of Nations in 1927 and ensuing years, when Persia protested against an Anglo-Saudi treaty which bound King Ibn Saud not to interfere with the Shaikh of Bahrain and other 'Gulf Chiefs'. Persia again protested when, in 1930 and 1934, the Shaikh granted oil concessions to Western companies. The claim has steadily been maintained by Dr Moussadeq and by the Zahedi Government. It is not popular with Bahrain's inhabitants.

The Shaikh's relations with Britain are regulated today by agreements of 22 December 1880 and 13 March 1892, by which he bound himself not to enter into any relationship with a foreign government other than the British without the latter's consent. In a letter of 14 May 1914 the Shaikh undertook not to exploit any possible oil deposits himself or to 'entertain overtures' regarding them from any quarter without British approval. Bahrain has been described as 'the strategic centre for Britain's position in the Gulf.' It is the seat of the British Political Resident in the Persian Gulf, and of the Political Agent for Bahrain with his assistants. The Shaikh also employs British nationals in various capacities in his Government, the most senior of whom, Sir Charles Belgrave, has been financial adviser to the Government since 1926, and has rendered it services that are deeply appreciated.

Bahrain was the first assembly point of the British Expeditionary Force which in 1914 opened the Mesopotamian Campaign, and in 1935 it became the principal British naval base in the Gulf after the abandonment of Henjam on the Persian coast. In the Second World War it was once bombed ineffectively by Italian aircraft. The ruling family of Bahrain, the al-Khalifa family, trace their origin to a tribe from which the Saudis of Saudi Arabia and the as-Subah family of Kuwait are also descended. They have ruled the island since the eighteenth century. During the nineteen years (1923–42) of the rule of the late Shaikh Hamad, Bahrain was transformed into the neat modern state that it is today. Under the present ruler, Shaikh Sir Salman ibn Hamad al-Khalifa, who acceded in 1942, it is undergoing many further developments thanks to increases in the state's share of its revenue from oil. One-third of these earnings are paid to the Shaikh and two-thirds to the state.

Oil

471 In December 1925 the first oil concession to be granted on the Arab side of the Gulf was given to a British syndicate to prospect in Bahrain. In 1927 an American concern secured an option from the British syndicate, but, hampered by the so-

3:Royal Institute of International Affairs U-4 (no date)1954 M1 Middle East
Bahrain MZ2

called 'Red Line' agreement of 1928,[1] was unable to agree to conditions that IPC was in a position to dictate; it therefore sold its option to the Standard Oil Company of California. After negotiations in which the British Government and the American State Department both took a hand, the Bahrain Petroleum Company (BAPCO), a subsidiary of Standard Oil, registered in Canada, was allowed to take up the concession provided that, to conform to Britain's prior agreements with the Shaikh, it employed a considerable number of British subjects. In 1936 the Texas Company acquired a 50 per cent interest in BAPCO. These details are given to explain why the present company is Canadian by nationality and American by management, and employs a large proportion of British staff. The two American companies concerned are two of the four participants in Aramco.

Oil was first discovered in Bahrain in 1932 and first exported in 1934. Production was suspended during the Second World War, but since then it has risen to a steady level of 11 million barrels per year. A refinery was erected before the war, and has (since the Abadan refinery ceased to put through its daily 550,000 barrels) been stepped up to a throughput of over 200,000 barrels per day; it includes a catalytic cracking unit for high octane fuel. It is fed both with BAPCO's own production of oil from the Bahrain field and by a 12-inch under-sea pipeline from Aramco's wells in Saudi Arabia. The jetty for loading tankers lies off Sitra Island on the seaward side of Bahrain Island itself.

Originally, the Shaikh enjoyed the same royalty rate as his neighbour in Kuwait—3 rupees and 4 annas a ton, or 14 cents a barrel. In 1951 reports of the new agreements reached by his neighbours caused him to ask for equality of treatment. In 1952, therefore, he signed a new agreement with the company which established the fifty-fifty profit-sharing arrangement now universal on the Gulf. He also enjoys a payment on each ton of Saudi Arabian oil passing through his territory to the refinery. His revenue has risen relatively less than that of his neighbours because the volume of oil produced in Bahrain has for some years been virtually stationary; nevertheless earnings from oil have risen from $1·4 million in 1948 to $3·8 million in 1951 and $6·3 million in 1952, and three-fourths of Bahrain's national income is now derived from petroleum activities. The social and economic changes brought about by this increased wealth are not so spectacular in Bahrain as elsewhere because

[1] See R. F. Mikesell and H. B. Chenery, *Arabian Oil* (Chapel Hill, University of N. Carolina Press, 1949).

14: Liebesny G-4 (no date)1947 MI Middle East
Bahrain MZ 2

those contained in the treaties with Protectorate rulers, the foreign relations of Bahrein were brought under full British control. The treaties with Bahrein do not contain any clause expressly extending British protection to the country; nevertheless, Bahrein can be regarded as a British-protected state enjoying a large degree of internal autonomy.[16]

It is characteristic of British relations with this and other Persian Gulf states that the British Government by agreement reserves for itself the final decision with regard to the exploitation of the natural resources of the country, especially pearl fisheries and oil. Thus in a letter written in 1911, the Sheikh promised not to grant any pearling concessions without British consent. As far as oil deposits are concerned, the Sheikh undertook in a letter of May 14, 1914, not to exploit any possible oil deposits himself or to "entertain overtures from any quarter regarding that (i.e. the oil deposits) without consulting the Political Agent in Bahrein and without approval of the High Government."

An oil concession in Bahrein was acquired originally by a British company. When it became apparent that the concession would pass into American hands, the Colonial Office objected to the control of Bahrein's oil resources by foreign interests. In a note of March 28, 1929, the U. S. Department of State, following its traditional policy of insisting upon equal opportunity for American interests, asked the British Government for a statement of its policies with regard to foreign oil concessions in Bahrein and in territories with a similar status. The British Government subsequently agreed to the participation of American interests in the concession in Bahrein; but it did not make any general statement of policy, declaring that each case would have to be considered on its individual merits.[17] The Bahrein concession is owned at present by Standard Oil of California and the Texas Company through a jointly-owned subsidiary, the Bahrein Petroleum Company. This subsidiary is registered in Canada, and is thus legally located within the British Empire. The Bahrein case

[16] See the note of Sir Austen Chamberlain to the Persian Minister in London, January 15, 1928, where Bahrein is referred to as being under British protection. League of Nations, *Official Journal*, 1928, p. 607.

[17] Department of State, *Papers Relating to the Foreign Relations of the United States* (1929), vol. 3, pp. 80–82.

14: Liebesny G-4 (no date)1947 M1 Middle East
Bahrain M22

shows the practical effect of the Sheikh's undertaking with regard to his country's petroleum resources, and the controlling influence acquired by the British Government in any decision affecting this important source of national wealth.

The position of Bahrein as an independent sheikhdom under British protection has been challenged repeatedly by the Iranian Government, which claims sovereignty over the islands on historical grounds. Protests have been made to the British Government intermittently since 1829, and have been as often repudiated. The most extensive airing of the dispute took place between 1927 and 1930, when Iran protested against Article 6 of the Treaty of Jidda concluded in 1927 between Great Britain and Saudi Arabia. There Bahrein had been referred to as a state in special treaty relations with the British Government. In a lengthy exchange of notes both governments set forth their points of view. Iran claimed that Bahrein had been under its unchallenged sovereignty before the British intervened, and that Iranian sovereignty over the islands had been recognized by Lord Clarendon, the British Foreign Secretary, in 1869. This claim was denied in the British notes, which stated that the Sheikh of Bahrein had on various occasions during the first half of the nineteenth century professed only "an unwilling allegiance" to the Ottoman Empire, Persia, and various Arab countries, and that often conflicting claims to sovereignty over Bahrein had been put forward in the course of time by a number of countries. Britain denied that Lord Clarendon had ever recognized the Iranian claim.

Iran forwarded its original note of protest to the League of Nations under Article 10 of the Covenant; all subsequent notes were likewise sent to the Secretary-General of the League. However, the League took no action in the conflict and no settlement was ever reached.[18] Iran again asserted its position when it protested to the U. S. Government in 1933 against the Sheikh's grant of an oil concession to an American company, stating that it

[18] The various notes exchanged in this dispute are reprinted in the *Official Journal* of the League of Nations; a brief account of the question is contained in A. J. Toynbee, *Survey of International Affairs*, 1934 (London, 1935), pp. 221–24; a treatment from the Iranian point of view is found in Malek Esmaili, *Le golfe persique et les isles de Bahrein* (Paris, 1936).

14: Liebesny G-4 (no date)1947 M1 Middle East
Bahrain M22
Kuwait M11

B
648 regarded the concession as null and void since it was granted by
471 authorities who had no right to do so. Iran also reserved the right to claim all profits from the concession, and possible damages. The U. S. Government apparently did not reply to this note. Likewise, when Bahrein was bombed by Italian planes in October 1940, Iran, which was then neutral, protested to Italy against this alleged violation of its territory. The Iranian claim was brought up again in 1946 when it seems to have found some support in the Russian press.

13
648 The dispute regarding the sovereignty over Bahrein is one of those territorial disputes, not uncommon in Asia, in which one party bases its claims on historical arguments dating back several centuries; but it is doubtful whether the yardstick of Western international law and its definition of sovereignty and undisturbed possession can be applied at all to the situation prevailing in the Persian Gulf in the seventeenth, eighteenth, and early nineteenth centuries. It is likely that the relationship between the large Eastern empires and the small tribal sheikhdoms was one of suzerainty rather than sovereignty, and that allegiances shifted fairly rapidly. However, it has to be noted that the Iranian claim has never been settled. Should other historical claims based on similarly remote evidence find a sympathetic hearing either at the peace table or in the United Nations, Iran may be expected to advance its grievances again.

K
648 *Kuwait.* The legal position of Kuwait is very similar to that of
471 Bahrein. A treaty along the same lines as that concluded with Bahrein was entered into by the Sheikh of Kuwait on January 23, 1899. A Political Agent for Kuwait was first appointed in 1904. As in Bahrein, the British Government has reserved for itself control over the exploitation of Kuwait's natural resources. In a letter of July 29, 1911, the Sheikh promised not to grant any pearling concession without British consent. By a note of October 27, 1913, he likewise agreed not to grant oil concessions "to anybody except a person appointed from the British government."

The Sheikh of Kuwait remained loyal to the British Government when Turkey entered World War I on the side of the Central Powers. In return for this loyalty, the British in a note of

63:Simmons et al G-5 (1941-1951) 1954
M1 Middle East
BAHRAIN M22

nama, Muharraq and Hedd and the 3 villages of East and West Rafaa and Sakhir was less than 1 per cent.

Social Economy

Prior to the opening of the Bahrain oil fields, the economy of the islands was based upon pearl fishing and the transshipment of goods between Iran, India and other countries and the neighboring Arabian ports. The waters of the Persian Gulf contain famous pearl fishing banks, and, since ancient times, Bahrain has been recognized as the traditional center of the industry. It constituted the principal source of wealth for centuries, but it reached a low level in the 1920s, due in part to the competition of Japanese cultured pearls in the world markets. Early records are nonexistent, but the former Bahrain pearl fleets probably consisted of 600 to 1,000 vessels. The number has declined progressively: only 83 departed for the banks in 1950. In that year, about 2,000 Bahrainis were engaged in pearl fishing during the season from mid-April to October, undoubtedly a fraction of the total employed when the demand for pearls was at its height.

In previous decades, dhow building also was one of the major industries of Bahrain, but its decline has paralleled that of the pearl fisheries. Nine boats were constructed in 1949, as against 100 reported in 1928-29.

Today, oil is the foundation of Bahrain's prosperity. The royalties derived from the industry not only have bolstered the declining resources of the government, but have made possible the expansion of public works and social services. Operations are conducted by the Bahrain Petroleum Company, Ltd., which holds long-term concessions from the Sheikh of Bahrain for the development of the petroleum resources of the islands. Oil was discovered in the Jabal ad Dukhan region, near the center of Bahrain Island, in 1932, and production started in 1934. The proven reserves of this field are estimated in the neighborhood of 200 million barrels. The company also operates a

p. 257(A)

THE COMPANY A...

refinery on the eastern side of the island, opposite Sitra. It was expanded in 1945, and 80 to 85 per cent of the crude oil processed is now obtained by pipeline from Saudi Arabia. The refined petroleum products are pumped to storage tanks on Sitra Island, and subsequently to a deep-water loading terminal 3 miles offshore. Over 6,000 Bahrainis, as well as some 1,600 British and Americans, are employed in different branches of the industry. Two thirds of the royalties accrue to the Bahrain government, half of which are utilized for capital expenditures designed to raise the standards of living of the people. Reports for 1951 indicate that 68 per cent of the government income was derived from oil revenues, as against 26 per cent from customs receipts.

The renewed prosperity of the islands and the concurrent growth in population have stimulated private enterprise and the growth of small factories to supply current needs, particularly as regards building materials. Fishing is an important seasonal occupation of many villagers, and preserved fish, fish oils and other fish products are items of export. Agriculture plays a minor role. Barely 5 to 10 per cent of the total land area is under cultivation, and further expansion is restricted by the nature of the terrain, the concentration of water supply in limited areas and a feudalistic system of land tenure. Date gardens flourish in oases on Bahrain, Muharraq and Sitra Islands, but the supply equals less than one quarter of the local requirements. The government is endeavoring to promote the introduction of other crops, and maintains an experiment station at Budaiya.

The sea approaches to the archipelago are shallow, making it necessary for ocean vessels and oil tankers to anchor 2 to 4 miles from the shore. Bahrain and Muharraq, however, have good harbors which accommodate dhows and other shallow-draft vessels. Manama is an active trading center: coastal traffic is more or less continuous, while frequent steamer services are available to the northern Gulf ports and to India AND PAKISTAN.

p. 257 (B)

64: Shwadran S-4 (no date) 1955 M1 Middle East
Bahrein MZ2

In 1910 geologists of the British Indian Survey discovered seepages of oil in Bahrein. Coming as it did after the successful discovery of oil in Persia and the organization of the Anglo-Persian Oil Company, there was apparently considerable discussion of oil possibilities in Bahrein. The British pressed the Sheikh for a definite commitment not to permit the exploitation of oil by non-British concerns. On May 14, 1914 the Sheikh wrote the British Political Agent in Bahrein that he would not himself embark on the exploitation of oil in his territory, nor would he entertain overtures regarding such exploitation from any quarters without consulting the British Political Agent and without the approval of the British Government.[2]

Oil, however, was not discovered. In the early 'twenties Major Frank Holmes, representing the Eastern and General Syndicate, was seeking oil concessions in the Persian Gulf area, and as noted above, succeeded in 1924 in obtaining a concession from Ibn Saud in the al Hasa province. On December 2, 1925 Holmes acquired from the Sheikh of Bahrein for his British syndicate an exclusive oil exploitation concession over an area of about 100,000 acres. It was provided that if the concession rights were not exercised within four years, it would lapse. The Syndicate tried to interest British concerns in the concession, but without success.[3] At the end of November 1927 the Eastern Gulf Oil Company, a subsidiary of the American Gulf Oil Corporation, entered into an option contract to purchase the Syndicate's rights in Bahrein, and was given until January 1, 1929 to exercise its option. Gulf, at the time a member of the American group in the Turkish Petroleum Company, had in the meanwhile signed the Red Line Agreement which covered the Bahrein islands, and the Board of Directors of the Turkish Petroleum Company ruled that for Gulf to exercise its option would be a violation of Article 10 of the Agreement.[4] On December 21, 1928 Gulf, with the con-

[2] *Ibid.*, 124.

[3] The following comments from two different directions are interesting: British—"American interests were first engaged almost fortuitously when oil was struck on the Manama Island of Bahrein, after British prospects had failed. The successful company is the one which has subsequently extended its activities to the great Saudi Arabian oil fields." "The Persian Gulf—A Romance," *The Round Table*, XXXIX, 134, Mar., 1949. American—"It was our good luck that the British failed to discover oil which we later found in great abundance." Harold L. Ickes, "We're Running Out of Oil." *The American*, 84, Jan., 1944.

[4] See above, Chap. XI.

64: Shwadran S-4 (no date) 1955 MI Middle East
Bahrein MZ 2

648
471

sent of the British Syndicate, transferred its rights to the Standard Oil Company of California for $50,000.[5]

Under the option contract, the Syndicate was to have secured from the British Colonial Office a one-year renewal of the concession. When the Colonial Office was approached, it made the renewal contingent on the insertion in the concession agreement of the British Nationality Clause, which provided that the managing director and a majority of the other directors of the company must be British subjects, that the concessionaire company must be British-registered, and that none of the rights and privileges which the Sheikh had granted in the concession must be controlled directly or indirectly by foreigners. To this the United States Government took serious objection, for such a provision would have meant the absolute exclusion of Americans from holding or operating the concession, which was contrary to the American Open Door policy. On March 28, 1929 the Secretary of State instructed the American Chargé d'Affaires in London to discuss the Bahrein concession question informally with the proper authorities. The legal difficulty involved, so far as the American claims were concerned, was the status of the concession; the legal owner was the British Syndicate and the negotiations between the Colonial Office and the Syndicate were purely British affairs, and the position of the American Government was not legally clear. The British Foreign Office replied on May 30 that it had no objection in principle to American participation in the concession, subject to the British Government being satisfied as to the conditions under which American capital would participate, and particularly as to the nationality of the operating company, its chairman and director and the personnel employed on the islands. The British Government suggested that since the Eastern and General Syndicate was still the existing concessionaire, the Syndicate should negotiate with the Colonial Office.[6]

[5] U. S. Senate, *International Petroleum Cartel*, 71-72; United States, Department of State, *Papers Relating to the Foreign Relations of the United States, 1929*, III, 80, hencefor[illegible]ited *Foreign Relations* and year; Duce, *Middle East Oil Developments*, 8, 10; Faroughy, *The Bahrein Islands*, 103-104; United States Senate, *American Petroleum Interests in Foreign Countries*, 318. In March 1926 the Anglo-Persian Oil Co. was ready to take over the concession from Holmes, but in April it advised that its geologists in the area had reported unfavorably and that it was therefore no longer interested. E. DeGolyer, "The Oil Fields of the Middle East," in *Problems of the Middle East*, 77; Sanger, *The Arabian Peninsula*, 100.

[6] *Foreign Relations 1929*, III, 80-81.

64: Shwadran S-4 (no date) 1955 M1 Middle East
Bahrein MZ21

Negotiations between the Colonial Office and the Syndicate were carried on for about a year and a half. On June 12, 1930 the Syndicate signed an agreement with the Sheikh, and transferred it to the Bahrein Petroleum Company, a Canadian subsidiary of the Standard Oil Company of California. The major provisions of the agreement were: The Bahrein Petroleum Company must remain a British company; one of the directors must be a British subject and *persona grata* to the British Government; the Company's chief local representative must be approved by the British Government and all communications with the Sheikh must be through him and the Political Agent; as many of the employees as was consistent with efficiency must be subjects of Britain and Bahrein.[7]

Standard of California immediately sent out geologists and drillers. On May 31, 1932 the first commercially-producing well was brought in. Drilling was continued, tanks were built, and in December 1934 the first tanker load of Bahrein oil entered the world market. By 1935 there were sixteen producing wells. Standard of California, searching for markets for its increased production of crude, and with the anticipated output from Saudi Arabia, sold one-half of its Bahrein concession to the Texas Oil Company for a half share in the latter's numerous marketing facilities east of Suez. A new company registered in the Bahamas, the California-Texas Company (Caltex), was organized for the purpose of conducting Bahrein's marketing operations.[8]

In June 1940 the Bahrein Petroleum Company (Bapco) received an extension of its concession covering all the lands and other areas under the jurisdiction of the Sheikh, an area of some 1,644,000 acres,[9] for a period of fifty-five years from June 19, 1944.

[7] DeGolyer, *loc. cit.*, 77-79; *Foreign Relations 1932*, II, 5. The British backed down from some of their previous demands but insisted on some of the others. The State Department apparently considered this achievement a victory for American interests and claimed credit for it. In its memorandum to the Senate Special Committee Investigating Petroleum Resources, the Department declared: "Here again the prompt and positive action of the State Department has secured results favorable to an American-owned company. By securing the entry of American oil interests into Bahrein, the way was paved for some American interests to obtain concessions in nearby Arabia." U. S. Senate, *American Petroleum Interests in Foreign Countries*, 23-24.

[8] U. S. Senate, *International Petroleum Cartel*, 79; Chap. XI above.

[9] Faroughy, *The Bahrein Islands*, 111; Sanger, *The Arabian Peninsula*, 147. DeGolyer was of the opinion that the Sheikh delayed granting the extended concession because of the efforts of Holmes in 1937, when he reappeared in Bahrein

64: Shwadran S-4 (no date) 1955 MI Middle East
Bahrein MZ2

Production

From 1936 production progressed rapidly, reaching the 20,000 barrel per day mark in 1939. During the years 1942-1944 some wells were shut in as a war measure, and production was reduced by some 2,000 barrels per day. By 1951 there were 67 producing wells, with an average per well output of 430 barrels per day. The following table gives production in tons and barrels:

Table XII. *Bahrein Oil Production 1933-1954*

Year	*In Tons*	*In Barrels*
1933	4,000	31,000
1934	39,008	285,000
1935	173,072	1,265,000
1936	635,555	4,645,000
1937	1,058,511	7,762,000
1938	1,138,000	8,298,000
1939	1,041,000	7,589,000
1940	971,000	7,074,000
1941	932,000	6,794,000
1942	856,000	6,241,000
1943	902,000	6,572,000
1944	921,000	6,714,000
1945	1,003,000	7,309,000
1946	1,099,000	8,010,000
1947	1,291,000	9,410,710
1948	1,496,000	10,915,000
1949	1,508,000	10,985,484
1950	1,512,000	11,016,000
1951	1,508,000	11,008,000
1952	1,510,000	11,004,000
1953	1,506,000	10,978,380
1954[10]	1,570,000	10,994,000[11]

and attempted to get a concession for the additional area. For suddenly, in the spring of 1937, the Sheikh halted all negotiations with Bapco for one year." "He finally granted it to the Bahrein Petroleum Company on June 19, 1940, but the British officials distilling the last drop of advantage that could be obtained hooked on a political agreement of June 29, 1940." DeGolyer, *loc. cit.*, 79. "The 'Bahrain unallotted area,' being the difference between the 100,000 acres and the whole extent of the Shaikh's dominions, was from 1934 to 1940 the subject of lengthy negotiations between the Shaikh, Bapco, and another candidate, the Iraq Petroleum Company." Longrigg, *Oil in the Middle East*, 104.

[10] United Nations, Department of Economic Affairs, *Review of Economic Conditions in the Middle East 1949-1950*, 60, henceforth cited U.N., *Review* or *Summary*, and year;—*Review 1951-1952*, 55;—*Summary 1952-1953*, 47; Economic Cooperation Administration, Special Mission to the United Kingdom, *The Sterling Area. An American Analysis*, (London, 1951), 418; *World Petroleum*, X, 43, July, 1939.

[11] United States Senate, *Petroleum Requirements—Postwar. Hearings Before A*

64: Shwadran S-4 (no date) 1955 M1 Middle East
Bahrain MZ2

Royalties

471 The original concession called for 3 1/2 rupees per ton of
648 crude oil produced. This was equivalent to 14 cents per barrel, or $1.05 per ton, before the devaluation of the rupee in September 1949.[12] After the devaluation, and because of the general demands for higher royalties throughout the Persian Gulf region, Bapco increased the royalty to the Bahrein Government from 3 1/2 rupees to 10 rupees, approximately 29 cents per barrel, or about $2.10 per ton, effective as of January 1, 1950. In 1951 another supplemental agreement increased payments by an annual lump sum, and the following year, in line with the general tendency in the area, a 50/50 profit-sharing of net income from production and sale of oil was agreed on, effective as of January 1, 1952.[13]

651 The following table gives an approximate picture of the steady increase in royalties.[14]

Table XIII. *Royalty Payments to Bahrein (selected years)*

Year	*In Dollars*
1933	8,800
1938	305,000
1940	1,000,000
1945	780,000
1946	1,200,000
1948	1,508,876
1949	1,500,000
1950	3,300,000
1951	3,800,000
1952	6,300,000
1953	6,500,000
1954	8,100,000[14]

Special Committee Investigating Petroleum Resources (Washington, 1946), 40; U.N., *Summary 1950-1951*, 22; George P. Stevens, "Saudi Arabia's Petroleum Resources," *Economic Geography*, XXV, 221, July, 1949; Faroughy, *The Bahrein Islands*, 43; *Le Commerce du Levant*, Oct. 15, 1954; DeGolyer and MacNaughton, *Twentieth Century Petroleum Statistics 1954*, 9; *World Oil*, CXL, 198, Feb. 15, 1955.

[12] U.N., *Summary 1950-51*, 37;—*Review 1951-52*, 61. Faroughy stated that royalty was 3 rupees and 8 annas plus one shilling per ton, *The Bahrein Islands*, 45. Adamiyat, who follows Faroughy closely, also gives the royalty as 3½ rupees and one shilling. Fereydoun Adamiyat, *Bahrein Islands. A Legal and Diplomatic Study of the British-Iranian Controversy* (New York, 1955), 200.

[13] U.N., *Summary 1950-51*, 37-38;—*Review 1951-52*, 61; Adamiyat, *Bahrein Islands*, 200; Economic Cooperation Administration, Special Mission to the United Kingdom, *The Sterling Area. An American Analysis*, 409.

[14] J.H.D.B., "Oil and Bahrein," *The World Today*, VII, 77, Feb., 1951; U.N.,

64: Shwadran S-4 (no date) 1955 M1 Middle East
Bahrein M22

382
315
471

The nature of the Bahrein islands as the commercial port of the Saudi Arabian coast and the Qatar peninsula made it an ideal location for a refinery, and as soon as oil was discovered in commercial quantities in Bahrein and the prospects for Saudi Arabia looked promising, Bapco built a refinery which went into operation in July, 1935. Increased production and the demand for oil for war needs made it necessary to expand the refinery and by 1945 the Company had spent about $27.5 million. By 1951 the refinery had a capacity of 155,000 barrels daily. Most of the crude came from the Saudi Arabian mainland as the maximum of local production was only 30,000 barrels per day. At first the oil was brought by tanker, later it came by way of a 12-inch 34-mile long pipeline, two-thirds of which was submarine. During 1947 another 12-inch pipeline was laid, bringing the total capacity of the pipeline to 126,000 barrels per day.[15] By 1949 about 85 per cent of the refinery's throughput was coming from Saudi Arabia. The output in 1950 was 56,059,000 barrels; in 1951, 8,040,000 tons; in 1952, 8,621,000 tons; and in 1953, 10,408,000 tons. It has been estimated that the parent companies have invested about $75 million in the Bahrein undertaking.[16]

Reserves

Of all the major oil-producing areas of the Middle East, Bahrein was the least promising as regards reserves. From the very beginning the reserve estimates were generally static. In January 1949 they were estimated as 170 million barrels; two years later Faroughy gave them as 200 million barrels; at the end of 1954 they were estimated at 235 million barrels. The United Nations experts estimated the reserves as 40,900,000 tons in 1951 and the same in 1953. Compared to Saudi Arabia and Kuwait, the Bahrein reserves are considered of little significance.[17]

Summary 1950-51, 37-38;—*Review 1951-52*, 58-59; "Oil and Social Change," *The Economist*, 3, July 2, 1955.

[15] For a Company description of the pipeline and the refinery, see "Submarine Pipeline," *Oil Lifestream of Progress*, III, 20, Oct., 1953.

[16] U.N., *Summary 1950-51*, 24; "Oil and Bahrein," *The World Today*, VII, 78, Feb., 1951; Sanger, *The Arabian Peninsula*, 145; Faroughy, *The Bahrein Islands*, 44-45; *Le Commerce du Levant*, Oct. 15, 1954.

[17] U. S. Senate, *International Petroleum Cartel*, 6; U.N., *Review 1951-52*, 53;—*Summary 1952-53*, 40; Faroughy, *The Bahrein Islands*, 111; *World Oil*, CXL, 205, Feb. 15, 1955.

64: Shwadran S-4 (no date) 1955 M1 Middle East
Bahrein M2.2

Company Policies and Activities

471 In accordance with the conditions of the concession, laid 464 down by the British Colonial Office, Bapco employed a considerable number of Bahreinis in its undertakings, almost exclusively in the lower grades. The total number of employees in 1948 was 6,078, and of these 4,650 were local employees. [161] While this was only 4.23 per cent of the total population, then estimated at about 110,000,[18] it was 76.5 per cent of the total employed by the company. The staff was increased in 1951 to 7,749, and of this number 4,937 were Bahrein nationals.[19] This drop in the percentage of native employees, from 76.5 to 64, was not the result of Company policy but was due to the greater demand for workers in the expanded oil-producing areas of the Gulf—Saudi Arabia, Kuwait and Qatar. Many Bahreinis, finding the wages offered in other areas more attractive, left their home islands, which made it necessary for Bapco to employ more foreigners such as Indians, Pakistanis, Persians and others. This created a peculiar phenomenon: educated and semi-educated Bahreinis sought work abroad, while destitute foreigners flocked to the islands.

471 In addition to direct payments in revenue and indirect pay- 466 ments in terms of wages and purchases of local materials for the operation of the concession, the Company contributed directly to many social and economic projects aimed at bettering the general conditions; these included housing, electric lighting, water supply, and sanitary facilities. It operated a hospital and clinics, and also subsidized the American Mission Hospital. In the field of education it assisted the Government's technical school for native boys; upon graduation students from that school were employed by the Company, which provided further mechanical training.[20] It also cooperated in many agricultural and irrigation projects.[21]

471 However, the impact of the oil industry on the people of 651 Bahrein came primarily from the utilization of the revenue from the oil. The oil payments were divided into three parts:

[18] Max Steineke and M. P. Yackel estimated the population at about 125,000, "Saudi Arabia and Bahrein," in *World Geography* (Princeton, 1950), 226.
[19] U.N., *Review 1949-50*, 60;—*Summary 1952-53*, 58.
[20] The Bapco training program is described by its vice-president, Russel M. Brown, "Schooling in Skills," *Oil Lifestream of Progress*, IV, 6-8, Oct., 1954.
[21] U. S. Senate, *American Petroleum Interests in Foreign Countries*, 288-289.

64: Shwadran S-4 (no date) 1955 MI Middle East
Bahrein M22

one went to the Sheikh for the maintenance of his household and family; one was for current Government expenses and development projects; and one for investments abroad as a reserve for future contingencies. With the increase in income—directly from oil revenue and indirectly from customs duties—as a result of the Company's activities, Government services increased and a number of development projects were undertaken. By 1951 there were three hospitals on the islands—the American Mission Hospital and the Company hospital mentioned above, a Government hospital for men and women operated by a British staff, including a section for the mentally ill—as well as a number of municipal clinics. General health conditions were not good: malaria and other fevers and dysentery were prevalent; bilharzia, trachoma and hookworm took a heavy toll; and above all, a large proportion of the population was infected with venereal diseases. Medical services were supplied to every Bahreini free of charge.

Though there had been some educational facilities before the development of the oil industry,[22] it was not until 1934 that the Government engaged a number of Iraqi teachers and enlarged the facilities. By 1951 there were nine elementary schools, one secondary school, founded in 1940, and one school for girls opened in 1939, all tuition-free. The schools were staffed with 258 teachers, who instructed some 6,000 boys and girls. The Government, in conjunction with the Company, also provided scholarships to graduates of the secondary schools for study abroad.

The Government built roads, bridges, harbors and a large airport; water was supplied from artesian wells instead of being brought in by boat; and efforts were made to improve housing conditions. Though without a single newspaper in 1951, Bahrein had a broadcasting station, built in 1940 for Allied war purposes, a dial telephone system, forty miles of roads and 2,000 automobiles. Most of the streets of the main towns were electrically lighted, and a sewerage system had been installed. The net result was a higher standard of living for the Bahreinis, not only in comparison with their own pre-oil standard, but also with the people of the neighboring states.[23]

[22] In 1926 there was one school for boys only, and it was poorly attended. James Bell, "He Said Forward! to the Backward," *Life*, Nov. 17, 1952.

[23] U.N., *Summary 1952-53*, 58-59; Sanger, *The Arabian Peninsula*, 148-149;

64: Shwadran S-4 (no date) 1955 M1 Middle East
Bahrein MZ2

652 There have also been other implications. The Sheikh, the
651 Government and the people have become increasingly, in fact almost exclusively, dependent on the oil. In 1932 the entire government budget was about $143,600; in 1951 the total government revenue was $5,271,000, of which approximately 61 per cent came from oil and 34.9 per cent from customs duties,[24] which must be considered an indirect result of the oil industry. In 1953 the Government revenue was derived 68 per cent from oil, 24 per cent from customs duties, and 5 per cent from
[464 interest on the reserve fund.[25] The oil boom also created in-
458 flationary pressures which caused many Bahreinis to seek em-
• 471 ployment in other oil-producing areas in the Gulf. Because of
178 its central location, the I.P.C. subsidiary, Petroleum Concessions Ltd., which held concessions in Qatar and on the Trucial coast, had made its Gulf headquarters in Bahrein and built large offices and houses for its staff. Bahrein had become a resort and shopping center for the oil employees, especially Americans and Europeans, in Saudi Arabia and Qatar. These not only added to the inflationary pressures, but so greatly increased the social vices of gambling, drinking, prostitution and their concomitants as to cause grave concern to those responsible for the health and welfare of the population.[26]

185 The Bahrein islands are limited in area and in resources; oil,
652 in a more definitely limited quantity than that of any of the other areas in the Gulf, is the only resource supporting the Sheikh, the Government and its extended services, and also to a considerable degree the people at large. Though perhaps originally a little more advanced than some of their neighbors, the people of Bahrein, prior to the discovery of oil, had a low standard of living and consequently a very low standard of governmental and social services. When the pearling industry suffered a serious setback as a result of the world depression and the development of cultured pearls, Bahrein was in a desperate situation. With the arrival of the Bahrein Petroleum Company,

aroughy, *The Bahrein Islands*, 20 *et passim;* "Oil and Bahrein," *The World Today*, VII, 77-79, Feb., 1951; Bell, *loc. cit.*

[24] Bahrain Petroleum Company, Limited, *Bahrain 1952* (pages not numbered).

[25] Angus Sinclair, "The Resources and Their Potentialities. III, Petroleum and Minerals," in *Middle East Resources Problems and Prospects* (Washington, 1954), 46. The 68 per cent of the revenue directly from oil did not include the one-third which went to the Sheikh.

[26] "Oil and Bahrein," *The World Today*, VII, 79, 81-83, Feb., 1951; Faroughy, *The Bahrein Islands*, 20 *et passim.*

64: Shwadran S-4 (no date) 1955 M1 Middle East
Bahrein M22

178 perity and a higher standard of living, and that the oil revenue there has been better employed than in other areas. The credit for that must go to the British Government and the British adviser to the Sheikh.[29]

471 What of the Bahrein Petroleum Company? As mentioned above, Standard of California paid $50,000 to the Gulf Corporation for the concession. Bahrein's capitalization was $100,000. At the end of 1947, H. M. Herron, chairman of the Board of Directors, testifying before the Special Senate Committee Investigating the National Defense Program, stated that the Company's earned surplus was $55,472,255. In addition, it had paid-in capital surplus of $28,191,709 and surplus reserves of $8,705,779. From its organization until 1947 it had paid no dividends.[30]

The reason for these enormous profits was given by Mr. Herron when he reluctantly revealed to the Committee that the cost of producing a barrel of oil in Bahrein, including royalties paid to the Sheikh, was about 25 cents.[31] If crude was selling in the Persian Gulf at the time at $1.05—$1.15 a barrel, that would have produced a profit on each barrel of 80-95 cents.

Caltex, Bapco's subsidiary marketing company, was organized in the Bahamas in 1936 with a capitalization of $1,000,000. As of December 31, 1946, ten years later, it had an earned surplus of $17,192,529, and a paid capital surplus of $8,195,144. No dividends were paid.[32]

[29] For Belgrave's contributions to the achievements in Bahrein, see Bell, *loc. cit.*, and the many articles and books by Belgrave himself. A more ideal picture of the adjustment of the Bahreinis to the new conditions resulting from the oil development is presented in Bahrain Petroleum Company, Limited, *Bahrain 1952*.

[30] U. S. Senate, *Hearings Saudi Arabia*, 25030-25031. Senator Owen Brewster, chairman of the Committee, intimated that had dividends been paid to the parent companies, the latter would have had to pay U. S. taxes. Faroughy states that in 1945 the Bahrein Petroleum Co. estimated that its consolidated net profit for the year, after taxes and all other costs had been deducted, was approximately $10.5 million. In 1946 profits were estimated at $23 million. The total investment, according to Faroughy, was not more than $65 million. *The Bahrein Islands*, 45.

[31] U. S. Senate, *Hearings Saudi Arabia*, 25022.

[32] U. S. Senate, *Hearings Saudi Arabia*, 25029-25030. The earnings for the years 1942-1946 were 1942, $1,903,520; 1943, $686,673; 1944, $1,457,509; 1945, $2,416,362; 1946, $1,469,245. While the Bahrein Petroleum Company was a Canadian corporation registered in the British Empire, Mr. Herron admitted that Caltex could have been an American corporation. The inference drawn by Senator Brewster was that it was registered in the Bahamas only to escape United States taxation, and that for the same reasons no dividends were distributed. The Government of the Bahamas does not tax corporations, and the Canadian Government taxes only declared dividends. *Ibid.*, 25016-15018.

64: Shwadran S-4 (no date) 1955 MI Middle East
Bahrein MZ2

Thus the profits of Bapco and Caltex, on an initial limited capitalization of $100,000 and $1,000,000 respectively, though not as fabulous as those of Saudi Arabia, were exceptionally high. In spite of the various measures undertaken by the Company to assist the Bahreinis to improve their standard of living, the latter actually received only a very small portion of the income from the oil, compared with the Company's profits. Only after the 1952 profit-sharing arrangement did Bahrein begin to get a little larger share of the profits from the production and sale of crude. But, since all the oil produced by Bapco was sold to its subsidiary, Caltex, for marketing, the price of Bahrein oil was not that of the open market, but was arbitrarily established by the parent company and the marketing subsidiary. The basis for the calculation of the profits was therefore narrow.[33]

[33] Iran claimed sovereignty over Bahrein and continuously challenged the British rights to the islands. The Iranian Government tried to bring the case to the League of Nations; it protested against the granting of the concession to Standard of California, and during the oil nationalization period agitated for the return of the islands. A voluminous literature has grown up on the subject. Two complete studies which present the Iranian case are those mentioned above: *The Bahrein Islands,* by Faroughy, and *Bahrein Islands,* by Adamiyat. The Iranian Government's note to the League of Nations claiming sovereignty over the islands, which was circulated to all the members of the League, and the British reply, are in League of Nations, *Official Journal,* 9th year, 1928, 1360-1363;—*Official Journal,* 10th year, 1929, 351, 790-793. See also *P.D.C.,* 213, col. 843, Feb. 15, 1928; *P.D.L.,* 81, col. 418, June 25, 1931; *P.D.C.,* 300, col. 776, Apr. 8, 1935. For the protest note to the United States on May 22, 1934, see Arnold J. Toynbee, *Survey of International Affairs 1934* (London, 1935), 221-224. For a more recent study, see Majid Khadduri, "Iran's Claim to the Sovereignty of Bahrein," *American Journal of International Law,* XLV, 631-647, Oct., 1951.

648 internal autonomy. (19)
642

19. Cf. the note of Sir Austen Chamberlain to the Persian Minister in London, 15 January 1928, where Bahrein is referred to as being under British protection; League of Nations, Official Journal, 1928, p. 607.

It is further characteristic of the British relations with this and other Persian Gulf states that the British Government has reserved for itself by agreement the final decision with regard to the exploitation of the natural resources of the country, especially pearl fisheries and oil. In a letter written in 1911 the Sheikh promised not to give out any pearling concession without British consent. As far as oil deposits are concerned, the Sheikh undertook in a letter of 14 May 1914 not to exploit any possible oil deposits himself or to "entertain overtures from any quarter regarding the /i.e, the oil deposits/ without consulting the Political Agent in Bahrein and without approval of the High Government." With British consent a concession was actually granted to American oil interests in 1930. The Bahrein Petroleum Company was then formed which is at present owned by the Standard Oil Company of California and the Texas Oil Company.

471
648

Bahrein is the seat of the Political Agent for Bahrein, the Assistant Political Agent, the Political Officer for the Trucial Coast, and the Publicity Officer in the Persian Gulf. From these British officials one has to distinguish the technical advisers of the Sheikh who are also British subjects but are not subordinated to the Persian Gulf Residency. They are state servants of Bahrein. Chief among them are the Political Adviser to the Government of Bahrein, the Collector of Customs, the State Engineer, and the Superintendent of Schools.

648

The position of Bahrein as an independent sheikdom under British protection has been challenged repeatedly by the Iranian government which claims sovereignty over the islands on historical grounds. Protests have been made to the British government intermittently since 1820. A lengthy exchange of notes between the two governments took place when in 1927 Iran protested against Article 6 of the Treaty of Jidda of 1927. There Bahrein had been referred to as a state in special treaty relations with the British government. Great Britain rejected Iran's claim and repudiated also the contention that Iranian sovereignty over the islands had been conceded by Lord Clarendon in